

Internal Revenue Service
Regional Commissioner

Department of the Treasury

Date: MAY 01 1984

Key District:
[REDACTED]

Year(s):
[REDACTED]

Person to Contact:
[REDACTED]

Contact Telephone Number:
[REDACTED]

CERTIFIED MAIL

Gentlemen:

We considered your appeal of the adverse action proposed by your key District Director. The paragraph(s) checked below indicate(s) our decision.

☒ Your exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code is:

- ☐ confirmed.
- ☐ modified. A new determination letter is enclosed.
- ☒ denied or ☐ revoked. You are required to file Federal income tax returns on Form 1120 for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for extension of time is granted.
- ☐ You are not a private foundation because you are described in Code section(s) _____.
- ☐ You are an operating foundation as described in code section 4942(j)(3).
- ☐ You have no liability for excise taxes under IRC _____ for the above years.
- ☐ Your liability for excise taxes under IRC _____ for the above year(s) was properly reported on your return(s).
- ☐ There is no change to your unrelated business income tax liability as reported for the above years.
- ☐ Your Form(s) 990-T for the above years are accepted as filed.
- ☐

You may direct questions about the decision to the appeals officer whose name and telephone number are shown above.

Sincerely yours,

[REDACTED]
Chief, Appeals Office

Letter 1370(RO) (1-80)

JAN 4 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

The objects and purposes for which your corporation was formed are to bind members together collectively and severally to promote interest in various forms of street rodding activities, create good fellowship and sportsmanship among members, and to promote safety in driving, maintenance, and overall vehicle operation of street rod automobiles.

Any person interested in street rodding activities and with a vehicle preceding and including the year [REDACTED] is eligible for membership.

Your activities include displaying your cars in car shows, driving your cars in parades and taking them to rod runs in other cities and states. As a fund raising activity you have assisted the promoter of the [REDACTED] car show held annually in [REDACTED]. You also run the concession stand at this yearly event.

Section 501(c)(7) of the Code exempts from Federal income tax clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder. In general, exemption from Federal income tax under this section encompasses social and recreational clubs which are supported solely by membership fees, dues and assessments.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR. NAME	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
DATE	11/20/82	12-07-82	12/30/82				

Effective for taxable years beginning after October 20, 1975, P.L. 94-558 amends the requirements for tax exemption for social clubs and similar organizations. One of the changes is that "substantially all" of such an organization's activities must be for pleasure, recreation, and other nonprofitable purposes. This change, from the previous "exclusively", permits an organization to earn income from nonmember sources to a limited extent and to have a limited amount of investment income (both types of income being subject to tax) without losing its general exemption from Federal income tax. An exempt social club is permitted to receive up to 35 percent of its gross receipts from a combination of investment income and receipts from nonmembers so long as the latter do not represent more than 15 percent of total receipts.

Submitted with your application for exemption were financial statements for [REDACTED] through [REDACTED] and the first six months of [REDACTED]. Of the total gross income received during these periods, the percentage of non-member income received were as follows: [REDACTED]% in [REDACTED]; [REDACTED]% in [REDACTED]; [REDACTED]% in [REDACTED]; and [REDACTED]% for the first 6 months in [REDACTED]. You fail to meet the non-member income requirement under P.L. 94-558 for these periods. Although these periods were prior to your incorporation date, additional information was submitted showing that there would not be any substantial decrease of non-member income in your future years of operation since your activities will remain the same. The proposal of your budgets for [REDACTED] and [REDACTED] reflects non-member income to total [REDACTED]% and [REDACTED]% respectively.

Accordingly, it is held that you are not entitled to recognition of exemption from Federal income tax under section 501(c)(7) of the Code. You are required to file Federal income tax returns on Form 1120 for each year you have been in existence.

We are not ruling on your qualification for exemption under any related paragraph of Internal Revenue Code 501(c).

[REDACTED]

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with the Office of Regional Director of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at our Regional office or, if you request, at any mutually convenient District office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

[REDACTED]
District Director

Enclosure
Publication 892